



**ROYALTON TOWNSHIP
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

ROYALTON TOWNSHIP
FULTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

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Mary Taylor, CPA
Auditor of State

Royalton Township
Fulton County
106 Eagle St., P.O. Box 302
Lyons, Ohio 43533-0302

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 30, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Royalton Township
Fulton County
106 Eagle St., P.O. Box 302
Lyons, Ohio 43533-0302

To the Board of Trustees:

We have audited the accompanying financial statements of Royalton Township, Fulton County, (the Township) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material. As described in note 2 the Township reclassified its nonexpendable trust fund in 2005.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Royalton Township, Fulton County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

November 30, 2007

**ROYALTON TOWNSHIP
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary</u>	
Cash Receipts:					
Property and Other Local Taxes	\$48,460	\$102,277	\$29,683		\$180,420
Charges for Services		79,358			79,358
Licenses, Permits, and Fees		160			160
Intergovernmental	36,147	111,436	4,487		152,070
Earnings on Investments	7,867	1,141	5,478	\$133	14,619
Miscellaneous	2,910	2,170			5,080
Total Cash Receipts	<u>95,384</u>	<u>296,542</u>	<u>39,648</u>	<u>133</u>	<u>431,707</u>
Cash Disbursements:					
Current:					
General Government	86,510	41,865	650		129,025
Public Safety		52,008			52,008
Public Works		40,559			40,559
Health	400	9,878		603	10,881
Capital Outlay	14,999		57,425		72,424
Debt Service:					
Redemption of Principal	1,905				1,905
Total Cash Disbursements	<u>103,814</u>	<u>144,310</u>	<u>58,075</u>	<u>603</u>	<u>306,802</u>
Total Receipts Over/(Under) Disbursements	<u>(8,430)</u>	<u>152,232</u>	<u>(18,427)</u>	<u>(470)</u>	<u>124,905</u>
Fund Cash Balances, January 1	117,924	377,970	212,596	15,478	723,968
Fund Cash Balances, December 31	<u><u>\$109,494</u></u>	<u><u>\$530,202</u></u>	<u><u>\$194,169</u></u>	<u><u>\$15,008</u></u>	<u><u>\$848,873</u></u>
Reserve for Encumbrances, December 31		<u><u>\$3,438</u></u>			<u><u>\$3,438</u></u>

The notes to the financial statements are an integral part of this statement.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary</u>	
Cash Receipts:					
Property and Other Local Taxes	\$46,541	\$82,559	\$31,117		\$160,217
Charges for Services		141,026			141,026
Licenses, Permits, and Fees		50			50
Intergovernmental	61,187	113,189	3,006		177,382
Earnings on Investments	4,528	717	1,813	\$37	7,095
Miscellaneous	3,451	564			4,015
Total Cash Receipts	<u>115,707</u>	<u>338,105</u>	<u>35,936</u>	<u>37</u>	<u>489,785</u>
Cash Disbursements:					
Current:					
General Government	86,738	75,981	632		163,351
Public Safety		68,000			68,000
Public Works		58,818			58,818
Health	1,521	8,346		603	10,470
Capital Outlay	15,143				15,143
Debt Service:					
Redemption of Principal	1,905				1,905
Total Cash Disbursements	<u>105,307</u>	<u>211,145</u>	<u>632</u>	<u>603</u>	<u>317,687</u>
Total Receipts Over/(Under) Disbursements	<u>10,400</u>	<u>126,960</u>	<u>35,304</u>	<u>(566)</u>	<u>172,098</u>
Fund Cash Balances, January 1	<u>107,524</u>	<u>251,010</u>	<u>177,292</u>	<u>16,044</u>	<u>551,870</u>
Fund Cash Balances, December 31	<u>\$117,924</u>	<u>\$377,970</u>	<u>\$212,596</u>	<u>\$15,478</u>	<u>\$723,968</u>
Reserve for Encumbrances, December 31	<u>\$2,867</u>	<u>\$7,696</u>			<u>\$10,563</u>

The notes to the financial statements are an integral part of this statement.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Royalton Township, Fulton County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with LifeStar Ambulance Inc. to provide ambulance services.

The Township participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this risk pool.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Special Fire Levy Fund – This fund receives special levy tax revenue to provide fire services for the Township, including the Village of Lyons. The fire department contracts with two adjoining townships to provide fire protection services to a portion of their townships.

Emergency Medical Services Fund – This fund receives revenues from Fulton County to provide ambulance and emergency medical services to the Township and throughout the county when other departments need assistance. The Township in turn contracts with LifeStar Ambulance Inc. to provide personnel to man these services, along with volunteer fire department personnel.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Fire Capital Equipment – This fund receives tax revenues to assist the Township in maintaining the fire station building, and purchasing fire fighting equipment used to provide fire services for the Township.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of certain individuals.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. RECLASSIFICATION OF FUND BALANCE

Pursuant to Governmental Accounting Standards Board Statement Number 34, the Township has reclassified its nonexpendable trust fund, to Private Purpose Trust Fund for 2005. The effect on fund balance is as follows:

	Nonexpendable Trust	Private Purpose Trust
Fund Balances as reported at December 31, 2004	\$16,044	
Reclassification of Fund Balances	(\$16,044)	\$16,044
Restated Fund Balances at January 1, 2005	<u> </u>	<u> </u> \$16,044

3. EQUITY IN POOLED CASH

The Township maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2006	2005
Demand deposits	<u>\$571,198</u>	<u>\$723,968</u>
Certificates of deposit	<u>277,675</u>	
Total deposits	<u>\$848,873</u>	<u>\$723,968</u>

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution's public entity deposit pool.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,491	\$95,384	\$3,893
Special Revenue	306,670	296,542	(10,128)
Capital Projects	34,931	39,648	4,717
Fiduciary	500	133	(367)
Total	\$433,592	\$431,707	(\$1,885)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$200,772	\$103,814	\$96,958
Special Revenue	656,821	147,748	509,073
Capital Projects	246,000	58,075	187,925
Fiduciary	700	603	97
Total	\$1,104,293	\$310,240	\$794,053

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,500	\$115,707	\$32,207
Special Revenue	334,917	338,105	3,188
Capital Projects	37,524	35,936	(1,588)
Fiduciary	202	37	(165)
Total	\$456,143	\$489,785	\$33,642

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$191,005	\$108,174	\$82,831
Special Revenue	534,725	218,841	315,884
Capital Projects	212,302	632	211,670
Fiduciary	680	603	77
Total	\$938,712	\$328,250	\$610,462

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	24,765	0%

The Township has received a 0% interest loan from the Ohio Public Works Commission for a road improvements project at the intersection of Township roads 10 and RS. The loan was for \$28,575 with semi-annual payments of \$952.52 over a 15 year period.

Amortization of the above debt, including interest, is scheduled as follows:

	<u>Ohio Public Works Commission</u>
Year ending December 31:	
2007	\$1,905
2008	1,905
2009	1,905
2010	1,905
2011	1,905
2012 - 2016	9,525
2017 - 2019	5,715
Total	\$24,765

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RETIREMENT SYSTEM

Township employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments,

settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**ROYALTON TOWNSHIP
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT – (CONTINUED)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$20,592. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

ROYALTON TOWNSHIP
FULTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

8. RISK MANAGEMENT – (CONTINUED)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2004	\$9,820
2005	\$10,377
2006	\$10,296



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Royalton Township
Fulton County
106 Eagle St., P.O. Box 302
Lyons, Ohio 43533-0302

To the Board of Trustees:

We have audited the financial statements of the Royalton Township, Fulton County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 30, 2007, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and the Township reclassified its nonexpendable trust fund. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated November 30, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the Township's management in a separate letter dated November 30, 2007.

We intend this report solely for the information and use of management, and the Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 30, 2007

**ROYALTON TOWNSHIP
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Weakness - Monitoring of Financial Activity

Inaccurate posting of transactions impedes the ability of the Trustees to accurately assess the financial status of the Township. We noted examples such as the following during our audit:

- Permissive tax revenues for \$1,528 were posted to the Gas Tax Fund instead of the Permissive Tax Fund in 2005.
- Revenues for fire and rescue runs for \$12,500 were posted to the Fire Special Levy Operating Fund intergovernmental revenue instead of charges for services in 2005.
- Tax donation agreement revenues were posted to the General Fund taxes for \$3,389 that should be posted to miscellaneous operating revenues in 2005.
- Grants from Fulton County for reimbursement of fire equipment purchases for \$7,052 were posted to Fire Special Operating Levy miscellaneous operating revenues that should have been posted to intergovernmental revenues in 2005.
- Fire and other equipment purchased from the General Fund for \$10,555 and \$4,588 was posted to General Fund health that should be capital outlay in 2005.
- Expenditures made for travel reimbursements for \$1,597 were posted to General Fund health that should be general government in 2005.
- Personal property tax revenues attributable to the Fire Capital Equipment Fund were posted to the Cemetery Fund for \$513, and the Fire Special Levy Operating Fund for \$1,649, in 2006.
- Personal property tax revenues attributable to the Fire Special Levy Operating Fund were posted to the Fire Capital Equipment Fund for \$1,746 in 2006.
- Permissive tax revenues for \$2,509 were posted to the Motor Vehicle License Tax Fund, in 2006.
- Rollback and Homestead revenues attributable to the Fire Capital Equipment Fund were posted to the Cemetery Fund for \$1,417 and the Fire Special Operating Levy Fund for \$1,421 in 2006.
- Rollback and Homestead revenues attributable to the Fire Special Operating Levy Fund for \$2,558 were posted to the Fire Capital Equipment Fund in 2006.
- Motor Vehicle License Tax revenues were posted to taxes for \$2,127 that should have been posted to intergovernmental revenues in 2006.

As a result, the financial statements did not correctly reflect the financial activity of the Township.

**FINDING NUMBER 2006-001
(Continued)**

Material Weakness - Monitoring of Financial Activity – (Continued)

We recommend that the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Township Handbook issued by the Auditor of State and the Uniform Accounting Network – Accounting Manual Appendix A Township Chart of Accounts. Further, the Township should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Trustees to ensure that errors and omissions are detected and corrected.

Officials Response:

The Township did not respond to these findings.



Mary Taylor, CPA
Auditor of State

ROYALTON TOWNSHIP

FULTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2008**